

Message Text

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PAGE 01 DOHA 00457 091227Z
ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EB-04 OMB-01 CIAE-00 NSC-05
NSCE-00 INR-05 DODE-00 H-01 L-01 SP-02 PA-01
PRS-01 PM-03 TRSE-00 OES-02 /048 W
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R 091105Z APR 77
FM AMEMBASSY DOHA
TO SECSTATE WASHDC 2501
INFO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN

C O N F I D E N T I A L DOHA 0457

LIMDIS

E.O. 11652: GDS
TAGS: EAID, ENRG, EFIN, EGEN, PINT, QA
SUBJECT: QATARI ECONOMY TO SUFFER FROM LOSS OF NGL PLANT

REF: DOHA 0441

1. GOVT OF QATAR OFFICIALS AND OTHER KNOWLEDGEABLE SOURCES
HAVE BEEN VERY GUARDED IN THEIR COMMENTS ON IMPACT OF DESTRUC-
TION OF NATURAL GAS LIQUIDS PLANT IN UMM SAID ON APR 3. RE
CAUSE OF ACCIDENT, THERE WERE SUSPICIONS OF INDUSTRIAL SABOTAGE,
BUT AFTER THOROUGH INVESTIAGATION GOQ SECURITY AUTHORITIES
HAVE RULED THIS OUT COMPLETELY. RUPTURED STORAGE TANK AND
IGNITION OF LEAKING PRODUCT REPORTEDLY STARTED THE CONFLAGRATION.

2. THERE IS NO DOUBT, HOWEVER, THAT ACCIDENT IS SEVERE BLOW
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TO GOQ'S GENERAL ECONOMIC PROSPECTS OVER SHORT TERM. WE
UNDERSTAND THAT NGL PLANT, WHICH WAS INAUGURATED IN MAY 1975,
IS ALMOST TOTAL LOSS. ORIGINAL COST OF FACILITY, WHICH TOOK
THREE YEARS TO BUILD, WAS ABOUT \$60 MILLION; WE ARE TOLD
THAT THIS AMOUNT IS LARGELY COVERED BY INSURANCE. HOWEVER,
BECAUSE OF INFLATION AND OTHER FACTORS, IT IS ESTIMATED THAT
A REPLACEMENT PLANT WILL COST \$275 MILLION AND REQUIRE AT

LEAST TWO YEARS TO BRING INTO OPERATION. IN ADDITION TO REPLACEMENT COST, REVENUE LOSS ALSO HIGH. SENIOR OIL COMPANY OFFICIAL HAS TOLD US THAT IF PLANT OPERATING AT FULL CAPACITY IT COULD PRODUCE REVENUE OF \$100 MILLION PER YEAR. (JAPANESE AMB INFORMED US THAT JAPAN IMPORTED ABOUT ONE-HALF OF GOQ'S NGL PRODUCTION, AND BILL FOR 1976 WAS ABOUT \$20 MILLION.)

3. WE HAVE PREVIOUSLY REPORTED THAT GOQ IS PRESENTLY EXPERIENCING CASH FLOW PROBLEMS PRIMARILY BECAUSE OF UNEXPECTED FOREIGN ASSISTANCE OUTLAYS TO EGYPT AND OTHER ARAB CONFRONTATION STATES. FOR THIS REASON QATARIS HAVE BEEN SOUNDING OUT EUROPEAN MONEY MARKET FOR AN ESTIMATED \$500 MILLION FOR DEVELOPMENT PROJECT FINANCING. REPLACEMENT COST OF NGL PLANT AND LOSS OF REVENUE THEREFROM WILL PLACE A FURTHER SIGNIFICANT BURDEN ON GOQ'S FINANCES AND CERTAINLY IMPACT ON ITS SEARCH FOR CREDIT FACILITIES ABROAD AND ABILITY TO ASSIST ITS ARAB BRETHREN AND MEET OTHER FOREIGN AID COMMITMENTS. IN ADDITION, GOQ'S PRESENT STANCE OF STAYING WITH THE OIL PRICE MAXIMIZERS IN OPEC WILL BE REINFORCED BY ITS INCREASED REVENUE NEEDS.

4. THERE ALSO MAY BE POLITICAL LOSSES TO BE INCURRED. WE HEAR THAT APR 6 CABINET SESSION DEVOTED ALMOST TOTALLY TO CONSIDERATION OF EXPENDITURE CUTBACKS TO COMPENSATE FOR NGL PLANT LOSS. DESPITE CIRCUMSTANCES CERTAINLY BEYOND HIS CONTROL, AMIR WILL HAVE TO TAKE RAP FOR EXPENDITURE DECREASES TOUCHING ON BOTH SPECIAL AND PUBLIC INTERESTS HERE, AFFECTING HIS ALREADY ERODING AUTHORITY AND PRESTIGE.
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